

Internal Audit & Counter Fraud Shared Service
Medway Council & Gravesham Borough Council

Counter Fraud Annual Report 2023-24

Medway Council

1. Introduction

The Internal Audit & Counter Fraud Shared Service was established on 1 March 2016 to provide internal audit assurance and consultancy, proactive counter fraud and reactive investigation services to Medway Council & Gravesham Borough Council.

The team works with both councils to manage their fraud risks, including work to prevent, detect and investigate fraudulent activity committed against the councils. The close working relationship with Internal Audit also means that counter fraud activity provides additional assurance to the council in relation to fraud risk management and control.

The team also acts as the Single Point of Contact between both authorities and the Department for Work & Pensions Fraud & Error Service for their investigation of housing benefit fraud.

2. Executive Summary

Over the course of 2023-24 there has been activity in all four of the key areas outlined in the Counter Fraud plan.

Fraud risk assessments have taken place across most council services, with a fraud risk to be produced once the remaining assessments are complete, with the register informing the direction of the Counter Fraud Teams planned activity, ensuring it is focused on the highest areas of risk.

Fraud awareness training has been made available over the course of the year with more than 100 Medway employees attending generic awareness sessions to try and reach a wider audience. There was also a Members induction session, as well as service sessions with Customer Relations and the Allpay card team in Adults Social Care, as well as publicity during International Fraud Awareness Week to try and raise awareness both internally and externally with the public.

Work associated with the National Fraud Initiative exercises has continued, building on the significant results already achieved, and appropriate assessments have been put in place to allow for the sharing of data to identify potential tenancy fraud in the future.

Investigative activity has been productive with 258 investigations concluded in year, with cashable savings of £289,609 identified and non-cashable savings of £93,000 linked to the recovery of a council property. This gives an overall total of £382,609 in savings in comparison to £229,219 for Medway's share of the costs for the counter fraud resource.

Good liaison has been maintained with the Police and other investigative bodies throughout the year, with all requests for information responded to within set timescales. There has also been other partnership working activity with officers representing the council at the Kent & Medway Fraud Panel, Serious & Organised Crime Partnership meetings, and a newly formed South East Investigators Group.

There have also been good outturns in relation to all performance measures.

3. National Context

In 2013 the National Fraud Authority stated that the scale of fraud against local government "is large, but difficult to quantify with precision". Since 2013 several reports have been published including by Chartered Institute of Public Finance & Accountancy (CIPFA), National Audit Office (NAO) and the Ministry of Housing, Communities & Local Government (MHCLG) (now Department for Leveling Up, Housing & Communities), stating that the threat of fraud against local government is both real, causes substantial losses (including reputational and service, as well as financial) and should be prevented where possible, and pursued where it occurs.

In 2022 the Public Sector Fraud Authority (Cabinet Office) published a report stating that in 2021-22 the public sector had experienced more than 5 million acts of fraud, that more than £33bn in public money was lost to fraud each year and that fraud against the Covid-19 Financial Support packages alone had cost £19bn. These figures are

more recent, but still dated with the overall financial impact on local government between 2020 and 2024, they do however reflect the ongoing significant risk of fraud that local authorities face.

The latest annual estimates of fraud risk to local government exceed £7bn and research by the Fighting Fraud and Corruption Locally

The Fighting Fraud and Corruption Locally Board (FFCL), hosted by the Credit Industry Fraud Avoidance System (CIFAS), identified a number of key areas of fraud risk through its research, with the following being applicable to Medway.

- Right to Buy – Fraudulent applications under the right to buy
- Money Laundering – Exposure to suspect transactions
- Commissioning of Services – including joint commissioning, joint ventures, commercial services, third sector partnerships – conflicts of interest, collusion.
- Tenancy – fraudulent applications for housing or successions of tenancy, and sub-letting of the property.
- Procurement – tendering issues, split contracts, double invoicing.
- Payroll – false employees, overtime claims, expenses.
- Identity Fraud – false identity/fictitious persons applying for services/payments.
- Council Tax – discounts and exemptions, council tax support.
- Blue Badge – use of counterfeit/altered badges, use when disabled person is not in the vehicle, use of a deceased persons badge, badges issued to institutions being misused by employees.
- Grants – work not carried out, funds diverted, ineligibility not declared.
- Business Rates – fraudulent applications for exemptions and reliefs, unlisted properties.
- Insurance Fraud – false claims, including slips and trips.
- Disabled Facility Grants – fraudulent applications for adaptations to homes aimed at the disabled.
- Social care fraud: personal budgets and direct payments - overstatement of needs through false declaration, multiple claims across authorities, third party abuse by carer, family or organisation, posthumous continuation of claims.
- Schools – many of the payroll and procurement risks have also been raised as issues within schools.
- Concessionary travel schemes – use of concession by ineligible person, including freedom passes
- No recourse to public funds – fraudulent claims of eligibility
- Local Enterprise Partnerships – partnerships between local authorities and businesses. Procurement fraud, grant fraud.
- Cyber-dependent crime and cyber-enabled fraud – enables a range of fraud types resulting in diversion of funds, creation of false applications for services and payments.

It is essential that the Council has effective measures in place to address the risks and prevent and deter potential fraud, as well as investigate and prosecute identified fraud.

4. Resources

The Internal Audit & Counter Fraud Shared Service reports to the Section 151 Officers of Medway Council and Gravesham Borough Council. At the start of the year, the Counter Fraud Team had an establishment of six officers (5.21FTE), made up of the Head of Internal Audit & Counter Fraud (0.35FTE), one Counter Fraud manager, two Counter Fraud officers, and two Counter Fraud intelligence analysts (1.86FTE).

The Shared Service Agreement sets out the basis for splitting the available resources between the two councils, approximately 64% for Medway with the remaining 36% for Gravesham. At the time the Counter Fraud Plan for 2023-24 was prepared, this establishment was forecasted to provide a total of 644 days available for counter

fraud work (net of allowances for leave, training, management, administration etc.). The Counter Fraud Plan for Medway was prepared with a resource budget of 434 days.

The Counter Fraud resource was increased early 2023-24, with the addition of two Counter Fraud Officers, to handle internal disciplinary and grievance investigations at Medway. As Gravesham did not require additional resource, the split of available resources was adjusted to approximately 75% for Medway and 25% for Gravesham to compensate but it should be noted that the additional resource was not to directly increase the number of days available for counter fraud activity.

As of 31 March 2023, the net staff days available for Medway for 2023-24 amounted to 542.8 days of chargeable counter fraud work, which equates to 125% of the resource estimated to be available at the start of the year. Of this chargeable time, 26.1 days (4.8%) was spent on fraud awareness and prevention, 57.9 days (10.7%) was spent on pro-active Counter Fraud activity, 406.3 days (74.8%) was spent on reactive investigation activity and 52.5 days (9.7%) were spent on other Counter Fraud activity. The detailed results of all work carried out during the year are detailed in sections four to seven of this report.

Learning and development needs and objectives were agreed through the Performance Development Review (appraisal) process and delivered through a mixture of formal qualification training (including apprenticeships), formal skills training, job-shadowing/mentoring and 'on the job' training. Team meetings have taken place throughout the year, both virtually and in person, and all team members have had regular one to one meetings with their line manager to monitor progress with their work.

5. Fraud Awareness & Prevention

Fraud Risk Assessments

Throughout 2023-24 the team undertook assessments relating to identified fraud risks, across areas of council business. The areas of risk were identified through research on nationally recognised fraud risks, local knowledge from previous fraud cases, and discussions with managers within council services. The assessments establish the severity of fraud risks using a recognised scoring matrix provided by CIPFA, with the calculation of inherent risk determined on the basis of no fraud prevention controls and the residual risk score after fraud prevention measures have been applied. Further advice on additional fraud prevention measures has also been offered during the assessment process.

The remaining assessments continue to be undertaken in 2024-25 and once completed will lead to the creation of a fraud risk register, which will be presented to the Audit Committee. This register will be used to inform where the Counter Fraud Team directs resource in the future, including determining appropriate areas for pro-active activity, with the assessments reviewed and refreshed at least annually.

Fraud Awareness

Following the significant efforts in 2022-23, fraud awareness remained a key area of focus during 2023-24; although this was largely directed to more generic awareness to try and expand the number of people to receive training.

A Members induction session took place in July 2023 following the local elections and was delivered by officers from the Counter Fraud Team alongside the Head of Internal Audit & Counter Fraud. This session was well attended by Members from all political groups and received positive feedback.

Awareness sessions giving an overview of fraud risks faced by the council were made available via the iShare training platform and publicised to all staff at both Gravesham and Medway to encourage attendance. In total 13 sessions were run between October 2023 and March 2024, with 126 Medway employees known to have attended. While these sessions did not go into the level of detail that specific services may look for, they provided sufficient information to raise awareness on a larger scale and also opened up opportunities for services to seek specific training for their areas, which are being followed up by the team.

In addition, more detailed awareness sessions were held with the Customer Relations Team and the team responsible for the Allpay prepayment cards in Adults Social Care.

During Fraud Awareness week (12-18 November 2023) there was activity to raise awareness both internally and externally. The team were featured in one of the weekly email updates, with some information about the work the team carries out, alongside a photograph and all contact details, so that people know who they can contact if they wish to report concerns. With the assistance of the Communications Team, some information was also shared via the council's social media channels to raise awareness amongst the public.

Corporate Working Groups

Included in the plan was resource dedicated to being able to attend Corporate Working Group and Project Group meetings to provide advice on fraud risks and prevention.

While this has been communicated to managers, there were no requests to join such groups during 2023-24.

6. Pro-Active Counter Fraud Activity

National Fraud Initiative (NFI)

The National Fraud Initiative (NFI) exercise, which is co-ordinated by the Cabinet Office, is a nationwide data matching exercise, comparing computer records held by the council against other computer records held by councils and other public bodies, with a view to identifying potential instances of fraud or irregularity. The Counter Fraud team has responsibility for reviewing the bulk of the matches received in respect of these exercises and the Head of Internal Audit & Counter Fraud and Counter Fraud Manager act as the key contacts for the overall exercise.

Significant backlogs of work associated with the checking of matches were cleared during 2022-23 and this up-to-date position was maintained throughout 2023-24, although some investigations relating to matches received in the 2022-23 and 2023-24 exercises remain ongoing.

The following provides a brief overview of the results achieved across the exercises that have been worked on during 2023-24. It should be noted that these results cross over financial years, so will not all form part of the results reported for 2023-24 later in this report.

- **2022-23 Exercise** – 14,123 matches received, with savings of approximately £764,778 identified at the end of 2023-24.
- **2023-24 Exercise** – 3,735 matches received, with savings of £11,100 identified at the end of 2023-24.

An annual report relating specifically to NFI was presented to the Audit Committee in July 2024, providing a more detailed breakdown of the savings and the areas where these have been identified.

Kent Intelligence Network

The Kent Intelligence Network comprises of Kent County Council, Medway Council and the twelve District Authorities. The purpose of this partnership is to share data at a more local level to identify potential instances of fraud and error and also negotiate with providers for data matching software using economies of scale to achieve a better deal.

There were no referrals to the counter fraud team as a result of KIN activity during 2023-24, however, the Revenues Team have dealt with a number of referrals relating to council tax and business rate liability issues. This has resulted in 17 commercial properties that were not in the ratings being identified, generating additional NNDR of £92,436 and future liability of £80,786 per year in future years. Three residential flats were also identified and a new liabilities created, resulting in additional council tax of £3,219 and future liability of £4,072 per year in future years.

Pro-Active Exercises

A Data Protection Impact Assessment covering the sharing of data aimed at identifying potential tenancy fraud was signed off by the Information Governance team in year, but the project was unable to move forward due to resourcing issues in Housing. There have been further discussions, and all parties are keen for the exercise to go ahead, so it is hoped that this will move forward in 2024-25.

7. Responsive Investigation Activity

Responsive Investigation Work (External)

The team concluded 258 investigations into alleged fraud linked to external parties during 2023-24 across various council services and a summary of the results for each area is included below.

Area	Number of investigations concluded	Summary of results	Cashable savings	Non-cashable savings	Prevented losses
Blue Badge	4	Four cases concluded with no evidence of fraud/misuse.	N/A	N/A	N/A
Council Tax	240	223 cases concluded with the removal of the council tax discount/exemption or reduction, one of which also resulted in an overpayment of housing benefit. 17 cases closed with no evidence of fraud.	£190,354 (Historic Liability) £94,219 (Additional liability for future years) £6,612 (Housing benefit overpayment)	N/A	N/A
Direct Payments	1	One case concluded with no evidence of fraud.	N/A	N/A	N/A
Finance	1	One case concluded with no evidence of fraud.	N/A	N/A	N/A
Grants	1	One case concluded with no evidence of fraud.	N/A	N/A	N/A
Housing	6	One case concluded with the recovery of a council property. Five cases concluded with no evidence of fraud.	N/A	£93,000	N/A
School Admissions	5	Three cases concluded with the offer of a school place withdrawn. Two cases concluded with no change to school offer.	N/A	N/A	N/A

Overall: This represents total cashable savings of £289,609 and notional savings of £93,000 (Total £382,609) against costs of £229,319 for Medway's share counter fraud team.

Responsive Investigation Work (Internal)

8. Other Counter Fraud Activity

Liaison with DWP

The team is responsible acting as the Single Point of Contact (SPOC) for the DWP Fraud & Error Service for their investigation of Housing Benefits administered by the council.

The DWP have notified the service of 80 active cases and requests for information have been dealt with in accordance with the SLA. Closure notices have only been received in respect of two cases, so we are unable to advise how many remain ongoing, but the Medway Revenues and Benefits Service have completed assessments in relation to six cases based on evidence provided by the DWP. These have resulted in housing benefit overpayments totalling £47,446 and excess council tax reduction awards totalling £10,502.

Responding to Information Requests

The team is responsible for responding to information requests from the Police, local authorities, and other investigatory bodies under exemptions in the Data Protection Act/General Data Protection Regulations.

A total of 934 data protection requests was received during 2023-24 and 100% were responded to within the expected ten-day turnaround times that have been set for performance monitoring purposes.

Partnership Liaison

The Counter Fraud Team actively participates in meetings with partner organisations, such as the Kent Investigation Officers Group (KIOG), Serious & Organised Crime Partnership (SOCP), and Kent & Medway Fraud Panel.

During 2023-24 the Counter Fraud Intelligence Analysts have been attending SOCP meetings, sharing and receiving intelligence as necessary. The Counter Fraud Manager has also attended Kent & Medway Fraud Panel meetings.

Officers from the team also attended the inaugural meeting of the Southeast Investigators Group, which brought together fraud professionals from across the Southeast to share best practice and learning.

9. Performance Measures

The agreed Counter Fraud Plan for 2023-24 contained a number of performance measures that would be provided to demonstrate the effectiveness of the service.

The collection and monitoring of performance data largely automated through the team's time recording and quality management processes as well as reports drawn from the team's case management system and the outturns as of 31 March 2024 are presented in the table below. It should be noted that the results recorded below have not been subjected to independent data quality verification.

Ref	Indicator	Target	Outturn for period
Non LA Specific Performance Measurements			
CF1	Proportion of staff with professional qualification relevant to Counter Fraud	N/A	50%
CF2	Proportion of non-qualified staff undertaking professional qualification training	N/A	25%
CF3	Time spent on Professional qualification training:	N/A	67.8
CF4	Time spent on CPD/non-professional qualification	25 days	82.9

Ref	Indicator	Target	Outturn for period
	training, learning & development		
LA Specific Performance Measurements			
CF5	Proportion of available resources spent on chargeable work	N/A	542.8 days (125%)
CF6	Proportion of chargeable time spent on: Fraud Awareness & Prevention Pro-Active Counter Fraud Activity Responsive Investigation Activity Other Counter Fraud Activity	N/A	4.8% 10.7% 74.8% 9.7%
CF7	Number of investigations closed	N/A	258
CF8	Value of fraud losses identified: cashable (losses that can be recovered) non-cashable (notional savings based on national estimates) Prevented Losses (Savings associated with blocked applications)	N/A	£289,609 £93,000 £0
CF9	Number of civil actions resulting from investigative activity Civil penalties for negligence Right to Buys cancelled Council Properties recovered	N/A	0 0 1
CF10	Number of criminal sanctions applied Cautions Administrative Penalties Prosecutions	N/A	0 0 0
CF11	Client, Management and Member satisfaction with Counter Fraud services	90%	37 responses were received for the annual survey and 35.1% confirmed they were happy with the services available. Ten respondents had received services from Counter Fraud in the previous 12 months and 70% confirmed positive satisfaction with those services.